

Second Quarter 2007



CONSOLIDATED INCOME STATEMENT

NOK '000					
	Q2 2007 IFRS NOK 000'	Q2 2006 IFRS NOK 000'	01.01 - 30.06.07 IFRS NOK 000'	01.01 - 30.06.06 IFRS NOK 000'	2006 IFRS NOK 000'
Operating income					
Revenue	13 957	2 990	17 976	5 985	17 606
Total operating income	13 957	2 990	17 976	5 985	17 606
Operating expenses					
Operating costs oil and gas	(4 928)	(2 506)	(7 170)	(6 245)	(9 490)
Payroll and related cost	(10 854)	(7 665)	(23 836)	(10 192)	(26 469)
Depreciation and amortisation	(4 218)	(1 262)	(7 964)	(2 829)	(8 921)
Exploration costs expensed	(51 646)	(1 704)	(57 229)	(23 902)	(57 889)
Other operating expenses	(11 484)	(8 488)	(18 710)	(20 051)	(21 726)
Total operating expenses	(83 130)	(21 625)	(114 909)	(63 220)	(124 496)
Operating result	(69 173)	(18 635)	(96 934)	(57 234)	(106 890)
Financials					
Financial income	1 434	2 214	2 268	2 242	4 528
Foreign exchange profit/(loss)	(3 754)	(2 617)	(7 342)	(2 892)	(2 741)
Financial expenses	(3 512)	(5)	(3 529)	(37)	(236)
Net financial income/(expense)	(5 832)	(408)	(8 602)	(688)	1 552
Profit/(loss) before taxes	(75 005)	(19 043)	(105 535)	(57 922)	(105 338)
Income tax	38 431	-	42 522	-	17 087
Net profit/(loss)	(36 574)	(19 043)	(63 013)	(57 922)	(88 252)
Attributable to:					
Equity holders of the parent	(36 637)	(19 043)	(63 073)	(57 922)	(88 213)
Minority interest	63	-	60	-	(38)
Basic earnings per share (NOK)	(0,064)	(0,035)	(0,113)	(0,109)	(0,167)
Diluted earnings per share (NOK)	(0,064)	(0,035)	(0,113)	(0,109)	(0,167)

CONSOLIDATED BALANCE SHEET

NOK '000	30.06.2007 IFRS NOK 000'	30.06.2006 IFRS NOK 000'	31.12.2006 IFRS NOK 000'
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets			
Patents and development costs	2 704	3 503	3 118
Seismic library	16 053	23 740	19 897
Goodwill	154 563	154 563	154 563
Capitalised exploration and acquisition costs	31 330	-	15 217
Total intangible non-current assets	204 650	181 806	192 794
Property, plant and equipment			
Oil- and gas properties	74 288	11 167	27 040
Furniture, fixtures and office machines	5 059	4 791	4 581
Total tangible non-current assets	79 347	15 958	31 621
Total non-current assets	283 998	197 765	224 415
CURRENT ASSETS			
Accounts and other receivables			
Accounts receivable	9 454	530	1 873
Other receivables	66 592	13 109	31 612
Cash and cash equivalents	255 044	160 175	105 805
Total current assets	331 091	173 813	139 290
Total assets	615 088	371 578	363 705
EQUITY AND LIABILITIES			
EQUITY			
Share capital	145 686	132 286	132 286
Treasury shares	(25)	(25)	(25)
Share premium reserve	102 939	42 278	42 278
Additional paid in capital	349 787	335 132	342 526
Total shareholders equity	598 387	509 670	517 064
Retained earnings			
Loss carried forward	(246 036)	(149 991)	(182 689)
Total equity attributable to equity holders of the parent	352 351	359 679	334 375
Minority interest	130	-	71
Total equity	352 481	359 679	334 446
LIABILITIES			
Non-current liabilities			
Bond loan	194 458	-	-
Deferred tax	5 285	-	5 600
Total Non-current liabilities	199 743	-	5 600
Current liabilities			
Accounts and other payables	38 188	4 661	18 626
Other current liabilities	24 676	7 238	5 033
Total current liabilities	62 864	11 899	23 659
Total liabilities	262 607	11 899	29 259
Total shareholders equity and liabilities	615 088	371 578	363 705

CONSOLIDATED CASH FLOW STATEMENT

NOK '000	Q2 2007 IFRS NOK 000'	Q2 2006 IFRS NOK 000'	01.01 - 30.06.07 IFRS NOK 000'	01.01 - 30.06.06 IFRS NOK 000'	2006 IFRS NOK 000'
Cash flow from operating activities					
Profit/(loss) from operations before exploration expenses	(17 527)	(16 931)	(39 705)	(33 332)	(49 001)
- Exploration costs expensed	(51 646)	(1 704)	(57 229)	(23 902)	(57 889)
Profit/(loss) from operations	(69 173)	(18 635)	(96 934)	(57 234)	(106 890)
Adjustments for:					
Depreciation and amortisation	4 218	1 262	7 964	2 829	8 921
Share based remuneration	1 061	1 151	4 247	1 425	6 950
Interest received	147	55	279	83	4 257
Interest paid	(160)	(5)	(161)	(37)	(54)
Foreign exchange profit/(loss)	(3 754)	(2 617)	(7 342)	(2 892)	(2 741)
Changes in accounts receivable	(4 241)	1 124	(7 581)	793	(550)
Changes in accounts and other payables	43 287	(3 741)	46 747	(8 916)	1 428
Changes in other current balance sheet items	2 309	4 492	6 390	4 512	2 824
Net cash from operating activities	(26 306)	(16 914)	(46 390)	(59 437)	(85 855)
Cash flows from investing activities					
Purchase of subsidiaries, net of cash	-	-	-	-	(14 661)
Net investments in assets	(34 342)	(5 734)	(72 233)	(12 543)	(25 215)
De-merger Nordic Mining	-	(10 000)	-	(10 000)	(10 000)
Net cash flow from investing activities	(34 342)	(15 734)	(72 233)	(22 543)	(49 876)
Cash flow from financing activities					
Net capital increase	(274)	-	73 788	-	-
Proceeds from issue of bond loan	194 321	-	194 321	-	-
Net cash flow from financing activities	194 048	-	268 109	-	-
Effect of changes in exchange rates on cash and cash equivalents	(177)	(29)	(246)	(63)	(681)
Net change in cash and cash equivalents	133 223	(32 676)	149 240	(82 042)	(136 412)
Cash and cash equivalents at beginning of the period	121 821	192 850	105 805	242 217	242 217
Cash and cash equivalents at the end of the period	255 044	160 175	255 044	160 175	105 805

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In NOK '000)	Share capital	Treasury shares	Share premium reserves	Additional paid in capital	Uncovered losses	Total majority	Minority interest	Total equity
Equity 1 January 2007	132 286	(25)	42 278	342 526	(182 689)	334 375	71	334 446
Net capital increase	13 400	-	60 388	-	-	73 788	-	73 788
Share based remuneration	-	-	-	4 247	-	4 247	-	4 247
Currency translation differences	-	-	-	3 014	-	3 014	-	3 014
Total transactions recognised directly in equity	145 686	(25)	102 665	349 787	(182 689)	415 424	71	415 495
Net profit/(loss) for the period	-	-	-	-	(63 073)	(63 073)	60	(63 013)
Equity 30 June 2007	145 686	(25)	102 665	349 787	(245 762)	352 351	130	352 481
Number of shares a NOK 0,25	Ordinary	Weighted⁽¹⁾						
Issued on 1 January 2007 in 1.000	529 145	529 145						
- Treasury shares in 1.000	(100)	(100)						
Issued on 8 February 2007 in 1.000	233	142						
Issued on 16 March 2007 in 1.000	457	260						
Issued on 20 March in 1.000	52 910	28 940						
Total number of shares in 1.000	582 645	558 387						

⁽¹⁾ Weighted average number of outstanding ordinary shares are used in calculations of basic earnings per share.

ROCKSOURCE Group - Notes second quarter 2007

Principles and reporting

These financial statements are the unaudited interim consolidated financial statements of Rocksource ASA and its subsidiaries (hereafter "the Group") for the six-month period ended 30 June 2007. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2006, as they provide an update of previously reported information. The accounting policies used in the Interim Financial Statements are consistent with those used in the Annual Financial Statements. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements.

Note 1: Segment information.

The Group's main business segments are:

1. Onshore oil & gas activities
2. Offshore oil & gas activities
3. Geo-technical activities

There have been no material transactions between the segments, except for internal project and administrative support.

Reporting segments										
In nok '000	Onshore - Oil & Gas activities		Offshore Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	June YTD		June YTD		June YTD		June YTD		June YTD	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue	19 300	3 995	-	-	62	1 991	(1 386)	-	17 976	5 985
Operating cost oil & gas	(7 739)	(6 245)	-	-	-	-	568	-	(7 170)	(6 245)
Payroll expenses	(4 386)	(995)	(7 713)	(5 320)	(11 738)	(3 878)	-	-	(23 836)	(10 192)
Depreciation	(2 688)	(1 216)	(526)	(1 019)	(4 749)	(594)	-	-	(7 964)	(2 829)
Exploration costs	(186)	(135)	(57 042)	(23 767)	-	-	-	-	(57 229)	(23 902)
Other operating expenses	(1 855)	(617)	(7 128)	(8 518)	(10 544)	(5 546)	816	(5 369)	(18 710)	(20 051)
Operating result	2 447	(5 214)	(72 410)	(38 624)	(26 969)	(8 027)	(1)	(5 369)	(96 934)	(57 234)
Net financial income/(expense)	(2 655)	(703)	(5 495)	3 170	(452)	(3 155)	-	0	(8 602)	(688)
Profit before tax	(209)	(5 917)	(77 905)	(35 454)	(27 421)	(11 182)	(1)	(5 369)	(105 536)	(57 922)
Tax expense / (income)	-	-	42 522	-	-	-	-	-	42 522	-
Net profit	(209)	(5 917)	(35 383)	(35 454)	(27 421)	(11 182)	(1)	(5 369)	(63 014)	(57 922)
Total Assets	123 367	12 433	301 058	180 215	190 663	187 031	-	(8 101)	615 088	371 578
Capital expenditure	71 015	2 461	47	2 248	1 171	7 801	-	-	72 233	12 511

In nok '000	Onshore - Oil & Gas activities		Offshore Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	Q2		Q2		Q2		Q2		Q2	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue	13 952	1 763	-	-	(519)	1 226	524	-	13 957	2 990
Operating cost oil & gas	(4 409)	(2 506)	-	-	-	-	(519)	-	(4 928)	(2 506)
Payroll expenses	(2 297)	(484)	(3 947)	(4 569)	(4 611)	(2 611)	-	-	(10 854)	(7 665)
Depreciation	(977)	(465)	(263)	(473)	(2 977)	(324)	-	-	(4 218)	(1 262)
Exploration costs	(155)	(112)	(51 490)	(1 593)	-	-	-	-	(51 646)	(1 704)
Other operating expenses	(1 042)	(306)	(4 544)	(3 422)	(5 891)	(3 982)	(6)	(777)	(11 484)	(8 488)
Operating result	5 072	(2 110)	(60 245)	(10 058)	(13 998)	(5 690)	(1)	(777)	(69 173)	(18 635)
Net financial income/(expense)	(1 569)	(368)	(3 547)	2 364	(716)	(1 277)	-	(1 127)	(5 832)	(408)
Profit before tax	3 503	(2 478)	(63 792)	(7 694)	(14 714)	(6 967)	(1)	(1 904)	(75 005)	(19 043)
Tax expense / (income)	-	-	38 431	-	-	-	-	-	38 431	-
Net profit	3 503	(2 478)	(25 361)	(7 694)	(14 714)	(6 967)	(1)	(1 904)	(36 574)	(19 043)
Total Assets	123 367	12 433	301 058	180 215	190 663	187 031	-	(8 101)	615 088	371 578
Capital expenditure	33 918	923	-	1 550	423	3 229	-	-	34 342	5 702

Note 2: Related parties /share based remuneration

Reference is made to detailed information disclosed in the Annual Report for 2006 regarding related parties transactions.

Options under the share based remuneration program were following the approval in the extraordinary General Meeting on 23 February 2006 recognised in the financial statements from the grant dates.

Expensed share based remuneration for the second quarter (including employer's social security contributions) is TNOK 1 123 (second quarter 2006 TNOK 1 151).

Note 3: Taxes

Companies operating on the Norwegian Continental Shelf can claim a 78% refund of their exploration costs limited to the taxable losses for the year. In the second quarter the group has accounted for positive income taxes of NOK 38.4 million (first quarter 2006 NOK 0 million).

Note 4: Purchase of Sandhawk Energy LLC

Following the success in the drilling campaign initiated after the purchase of Sandhawk Energy LLC in 2006, success bonuses to the former owners have been triggered. In addition to the original purchase price of USD 2.5 million, USD 1.0 million will be paid following a sustained production in excess of 500 boepd from one of the two Morian areas. This success bonus was allocated to the purchase price of Sandhawk Energy LLC in the first quarter of 2007.